STRATEGIC PROCUREMENT PLANNING
GUIDANCE NOTE ON PROCUREMENT
JUNE 2018
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In April 2017, the Asian Development Bank (ADB) approved its new procurement framework, the ADB Procurement Policy: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time); and the Procurement Regulations for ADB Borrowers: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time). These replace the former Guidelines on the Use of Consultants (2013, as amended from time to time) and Procurement Guidelines (2015, as amended from time to time). The procurement policy and the procurement regulations address the procurement activities of project executing agencies and implementing agencies on projects financed in whole or in part by a loan or grant from ADB, or by ADB-administered funds. ADB designed the 2017 procurement policy to deliver significant benefits and flexibility throughout the project procurement cycle, as well as to improve project delivery through a renewed focus on the concepts of quality, value for money (VFM), and fitness for purpose.

This note is part of a series of guidance notes published by ADB in 2018 to accompany the 2017 procurement policy and the procurement regulations. Each note discusses a topical issue for borrowers (including grant recipients), bidders, and civil society under the new framework (see list below). The guidance notes cross-reference each other frequently and should be read in conjunction. All references to “guidance notes” pertain to these notes. The notes may be updated, replaced, or withdrawn from time to time.

List of Guidance Notes for the 2017 ADB Procurement Policy and the Procurement Regulations

1. Value for Money
2. Procurement Risk Framework
3. Strategic Procurement Planning
4. Procurement Review
5. Alternative Procurement Arrangements
6. Open Competitive Bidding
7. Price Adjustment
8. Abnormally Low Bids
9. Domestic Preference
10. Prequalification
11. Subcontracting
12. Consulting Services Administered by ADB Borrowers
13. Nonconsulting Services Administered by ADB Borrowers
14. High-Level Technology
15. Quality
16. Bidding-Related Complaints
17. Noncompliance in Procurement
18. Standstill Period
19. State-Owned Enterprises
20. E-Procurement
21. Framework Agreements for Consulting Services
22. Public–Private Partnerships
23. Contract Management
24. Fragile, Conflict-Affected, and Emergency Situations
ADB procurement reforms intend to ensure VFM by improving flexibility, quality, and efficiency throughout the procurement cycle (see illustration below and the Guidance Note on Value for Money). VFM is part of a holistic procurement structure with three support pillars: efficiency, quality, and flexibility. The two key principles of transparency and fairness weave across all elements of the structure.

**Value for Money**
The effective, efficient, and economic use of resources, which requires an evaluation of relevant costs and benefits along with an assessment of risks, nonprice attributes, and/or total cost of ownership as appropriate

<table>
<thead>
<tr>
<th>Efficiency</th>
<th>Quality</th>
<th>Flexibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Decreased transaction costs</td>
<td>• Contract management support</td>
<td>• Open competitive bidding</td>
</tr>
<tr>
<td>• Increased skills</td>
<td>• Prompt resolution of complaints</td>
<td>• Decentralization</td>
</tr>
<tr>
<td>• Increased high-level technology usage</td>
<td>• Improved developing member country procurement process</td>
<td>• Accreditation for alternative procurement arrangements</td>
</tr>
<tr>
<td>• Improved procurement planning</td>
<td>• Improved procurement planning</td>
<td>• Principles-based decisions</td>
</tr>
<tr>
<td>• Support and encouragement of e-procurement systems</td>
<td>• Governance</td>
<td>• Improved procurement planning</td>
</tr>
<tr>
<td></td>
<td>• Contracts with clear performance criteria</td>
<td>• Delegation</td>
</tr>
<tr>
<td></td>
<td>• Minimal number of complaints</td>
<td>• Bids with weighted proposal criteria</td>
</tr>
<tr>
<td></td>
<td>• Improved ADB processes</td>
<td></td>
</tr>
</tbody>
</table>

**Time**
Time is an important element of VFM. When a project is delivered promptly or when a process is completed rapidly, greater value is created for all stakeholders. For example, a road project completed early provides economic benefit, security, or other value to the community it serves. It increases the return on investment to the executing agency and accelerates the project and payment cycle to the successful bidder. Likewise, a project delivered late loses significant value.

When considering VFM in the context of procurement, pay attention to anything that (i) shortens the procurement cycle time frame or (ii) accelerates delivery of the development project.
Objective
This guidance note is intended to assist readers by elaborating on and explaining ADB’s 2017 procurement policy and procurement regulations for borrowers (including grant recipients).

This note identifies additional information for the reader to consider when applying ADB’s procurement policy and procurement regulations to their circumstances.

Living Document
This guidance note is intended to be a living document and will be revised as required.

Be sure to check the ADB Business Center website for the latest version and updates, https://www.adb.org/business/main.

The Reader
In many circumstances, readers are expected to use this guidance note in a manner unique to their needs. For consistency throughout the suite of guidance notes, the following assumption is made about the reader:

The reader is a professional involved in activities financed in whole or in part by an ADB loan or grant, or by ADB-administered funds.

FAQs
Frequently asked questions, clarifications, examples, additional information, links to training, and other useful resources will be made available on the ADB website.

Be sure to check the ADB Business Center website for more information, https://www.adb.org/business/main.

Legal and Order of Priority
This guidance note explains and elaborates on the provisions of the Procurement Regulations for ADB Borrowers: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time) applicable to executing (and implementing) agencies under sovereign (including subsovereign) projects financed in whole or in part by an investment loan from ADB (i.e., excluding ADB results- or policy-based loans), ADB-financed grant (excluding ADB-administered technical assistance and staff consultancies), or by ADB-administered funds.

In the event of any discrepancy between this guidance note and the procurement regulations, the latter will prevail. The financing agreement governs the legal relationships between the borrower and ADB. The rights and obligations between the borrower and the provider of goods, works, or services are governed by the specific procurement document issued by the borrower and by the contract signed between the borrower and the provider, and not by this guidance note.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>CPS</td>
<td>country partnership strategy</td>
</tr>
<tr>
<td>CSPRA</td>
<td>country and sector/agency procurement risk assessment</td>
</tr>
<tr>
<td>EPC</td>
<td>engineer–procure–construct</td>
</tr>
<tr>
<td>IT</td>
<td>information technology</td>
</tr>
<tr>
<td>OCB</td>
<td>open competitive bidding</td>
</tr>
<tr>
<td>PPRA</td>
<td>project procurement risk assessment</td>
</tr>
<tr>
<td>PRS</td>
<td>Procurement Review System</td>
</tr>
<tr>
<td>RFI</td>
<td>request for information</td>
</tr>
<tr>
<td>RRP</td>
<td>report and recommendation of the President</td>
</tr>
<tr>
<td>SPP</td>
<td>strategic procurement planning</td>
</tr>
<tr>
<td>VFM</td>
<td>value for money</td>
</tr>
</tbody>
</table>
This guidance note aims to assist borrowers (including grant recipients) in developing a procurement strategy and procurement plan for projects financed in whole or in part by an ADB loan or grant, or by ADB-administered funds. Effective and strategic procurement planning helps ensure that fit-for-purpose procurement approaches are developed to achieve VFM and the project’s development objectives. The guidance note reflects the principles-based approach in ADB’s 2017 procurement framework, centered around its core procurement principles. The strategic procurement planning approach described in this note follows three main steps:

- **Analysis.** This involves data gathering around the operating environment, supply markets, and key risks.
- **Choices.** This uses the data gathered to develop and screen potential strategic procurement options for their suitability, acceptability, and feasibility.
- **Planning.** This involves selecting fit-for-purpose procurement approaches and methodologies.

The guidance note enables borrowers to take a more flexible approach to developing a procurement strategy and procurement plan. It is envisaged that borrowers will select the tools and techniques that will provide them with the necessary intelligence to make sound procurement decisions. This note is not meant as a template that must be followed for all projects, but it is recommended that borrowers use this as a basis to select fit-for-purpose procurement approaches.

The guidance note provides the borrower with the ability to apply procurement tools and techniques widely used across public and private sector organizations globally. Its structure allows a methodical approach to the varying elements of the procurement environment that can potentially create risk within development projects, e.g., capacity and capability of the borrower, stakeholders, country factors, and supply markets. This note also provides examples of data to assist the borrower with the application of the analysis, along with template documents as appendixes to produce a procurement strategy and plan.
Effective use of strategic procurement planning may

**Increase Efficiency and Reduce Procurement Time**

- Greater flexibility enables procurement arrangements to be more appropriate to the contracts being procured, delivering faster processing of activities and more efficient contract implementation.
- Greater account of supply market conditions, local capacity, stakeholders, and risks helps to structure procurement arrangements to minimize risk of nonresponsive bids and rebidding.

**Reduce Risk and Improve Quality**

- A comprehensive project procurement risk assessment during procurement planning ensures that borrower and supply market risks are identified and mitigated.
- Better planning helps to ensure that contracts are awarded based on suitable specifications and evaluation criteria, and an appropriate assessment of cost over the life of the asset.

**Deliver Value for Money**

- Well-planned, fit-for-purpose procurement arrangements will deliver better value for money.
- Better consideration of trade-offs between costs and quality.

**Improve Fitness for Purpose**

- Procurement arrangements are flexibly designed and implemented to reflect the strategic needs and circumstances of the contract to be procured.
- A better understanding of key procurement options, such as specifications, bidding procedures, review requirements, and contract packaging helps to ensure that they are used and applied appropriately.

**Improve Fairness and Transparency**

- The needs of end users and other stakeholders are accurately assessed and incorporated into the project design and procurement arrangements.
- Well-planned procurement arrangements are more capable of attracting competition from international or national markets.
- Public disclosure of detailed procurement plans enables bidders to better prepare for the procurements and civil society to better understand the project and its contracts.
I. Introduction

1.1 This guidance note is intended to assist users with the process of strategic procurement planning (SPP) for projects financed in whole or in part by an Asian Development Bank (ADB) loan or grant, or by ADB-administered funds, which are governed by the ADB Procurement Policy: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time). The process of SPP is in line with the shift of ADB’s procurement policy toward a best practice, principle-based approach to procurement, rather than its previous compliance-based approach. The process of SPP begins during the project conceptualization stage of ADB’s procurement cycle and continues as the main activity within the procurement planning stage (Figure 1).

1.2 The success of the development objectives of a project and its contracts can be improved with a greater focus on SPP. SPP enables the borrower (or grant recipient) to ensure that projects are implemented with a fit-for-purpose approach that will help improve the speed of contract implementation and ensure ADB’s core procurement principles of value for money (VFM) and quality are adopted throughout the procurement cycle. The principle-based approaches of ADB’s 2017 procurement framework will permit increased flexibility and customization in carrying out procurement contracts, and the SPP process is where these flexibilities and customizations are considered by and agreed upon between the borrower and ADB.

1.3 More comprehensive and project-focused risk assessments are conducted as part of SPP, which will result in better designed and packaged procurement plans. This will reduce processing time and administrative burdens for agencies and ADB during implementation, while maintaining sound fiduciary oversight. This more strategic approach will result in procurement plans that increase the motivation of bidders to bid and help shape the market to meet the needs of the borrower.

1.4 When developing the procurement plan, the borrower and ADB must first consider the country and sector/agency procurement risk assessment (CSPRA) prepared during the country partnership strategy (CPS) process for each of ADB’s developing member countries. Elements of this document will inform the analysis within the SPP process. The Guidance Note on Procurement Risk Framework discusses the CSPRA process as a key input to the SPP process, and should be read in conjunction with this guidance note.
1.5 For projects financed in whole or in part by an ADB loan or grant, or by ADB-administered funds, the procurement plan is specifically referred to in the financing agreement between ADB and the borrower. The borrower may not begin a procurement process without ADB’s no-objection if the relevant contract is not included in the procurement plan endorsed by ADB. The completed procurement plan is based on the procurement plan template, available in ADB’s Procurement Review System (PRS), and is inputted into the PRS to facilitate ADB’s oversight of the borrower’s procurement contracts, through bidding up to contract award. The procurement plan also serves as an advertising medium once it is disclosed on the ADB external website and, in many cases, by the borrower on relevant websites and periodicals.
1.6 It is also usually during the SPP process when ADB makes a final decision if it will recommend the use of alternative procurement arrangements—either those of an accredited agency or entity of the borrower or of another multilateral or bilateral agency or organization involved in the project. The data gathered and analyses undertaken through the SPP process help to inform this decision. The Guidance Note on Alternative Procurement Arrangements gives further details.

1.7 This guidance note explains the overarching approach recommended to facilitate effective SPP and to develop the procurement plan, and gives a template to support this. The SPP strategic approach has three key considerations—analysis, choices, and planning—described further in Figure 2. Figure 3 and Box 1 describe the full SPP process in more detail. The following subsections discuss each key step in the SPP process. Appendix 1 provides a template for the SPP document.

**Figure 2: Strategic Procurement Planning Strategic Approach**

![Diagram showing Strategic Procurement Planning strategic approach]


**Box 1**

**Strategic Procurement Planning Depends on Complexity, Risk, and Value**

The complexity, risk, and value of the project and its procurement contracts will drive the level of research and analysis undertaken to ensure the procurement approaches are proportional and relevant. Technically complex, high market risk, and/or high-value projects or procurement contracts may require a detailed strategic procurement plan, while routine, low-risk, and/or low-value projects or procurement contracts may require a simple justification for the preferred procurement approaches.

Figure 3: Flowchart of the Strategic Procurement Planning Process

2.1 The project concept step of the SPP process provides a summary of the project’s development objectives, which will stem from the CPS and project preparation documents. The SPP document (Appendix 1) should provide

(i) the full project title,
(ii) a summary of the project development objectives,
(iii) the project description,
(iv) a description of the indicative contract packages, and
(v) a summary of the financing agreement.

2.2 This information can be gained from the project concept paper and financing agreement between ADB and the borrower.

2.3 Based on the complexity of the indicative contract packages and the borrower’s procurement capacity identified in the CSPRA, projects are classified by ADB as either “category A” (high procurement risk) or “category B” (low procurement risk) at the concept stage, to guide project preparation and due diligence. This project categorization shall be further confirmed at the time of SPP during project processing, as explained in sections III and IV.
III. Operating Environment

3.1 The operating environment step of the SPP process assesses the capacity and capabilities of the borrower’s executing and/or implementing agency(ies), support requirements, external influences, and key stakeholders, and reflects the results in the SPP document (Appendix 1).

A. Capacity and Capability Assessment of the Borrower

3.2 The aim of the assessment of the capacity and resources of the borrower’s project executing and/or implementing agency(ies) is to identify any known factors, both enablers and constraints, which may affect the delivery of the project and the procurement approach being developed. It should also help ADB to identify any targeted, early interventions, such as training or enhanced support, from which the borrower may benefit. A strengths–weaknesses–opportunities–threats analysis can capture these data and make the necessary conclusions (Figure 4). It will also provide data to be used in the project risk register in section VII.

Figure 4: Sample Analysis for a Road Project

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- The borrower agency has access to many competent consultants and contractors used to applying proven design and construction techniques.</td>
<td>- Funding for road rehabilitation is not viewed as a priority by the current government.</td>
</tr>
<tr>
<td>- The borrower agency is the dominant buyer of relevant services.</td>
<td>- Security risks are very high.</td>
</tr>
<tr>
<td>- The borrower agency has sufficient influence and power to shape the market.</td>
<td>- There are high levels of fraud and corruption.</td>
</tr>
<tr>
<td></td>
<td>- The procurement capacity is low.</td>
</tr>
<tr>
<td></td>
<td>- There is a low awareness of best practices in procurement.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>- New high-level technology exists in-country to improve the speed of road rehabilitation.</td>
<td>- The market does not have a history of offering innovation at tender stage.</td>
</tr>
<tr>
<td>- There is access to local labor pool for capacity building.</td>
<td>- The market believes the procurement process seeks to achieve the lowest delivery price not the lowest project life cycle cost.</td>
</tr>
<tr>
<td></td>
<td>- The interest of innovative suppliers is limited.</td>
</tr>
<tr>
<td></td>
<td>- Some potential bidders are concerned about the security risks.</td>
</tr>
</tbody>
</table>

B. Support Requirements

3.3 The borrower will need to consider its resource requirements to successfully implement the project. The following factors to be considered include:

(i) procurement capability to undertake fit-for-purpose SPP processes, bidding, and contract awards;
(ii) experience in implementing similar projects;
(iii) contract management capability and experience;
(iv) level of reliance on external consultants; and
(v) whether a complaints management system is in place.

3.4 This analysis will feed into the generation of strategic options during the options analysis step of the process. This will also then be reflected in the final SPP document. Once the analysis has been completed, there should be a summary of the conclusions drawn, to be included in the final SPP.

C. External Influences Analysis

3.5 The objective of the external influences analysis is to consider any external drivers of change specific to the project. The relevant CSPRA that exists for the borrower’s country and relevant sector(s) or agency(ies) should be considered. In line with the 2017 procurement regulations, the analysis (Figure 5) should include:

(i) governance aspects, including fragile or conflict-affected situations and legislative processes and frameworks;
(ii) economic aspects, including economic growth, inflation, domestic preference, and exchange rate volatility;
(iii) sustainability aspects, including natural disaster risks, sustainability requirements, and environmental impacts; and
(iv) technological aspects, including availability of information technology, e-procurement, information transfer, security, internet access and restrictions, and mobile phone access and coverage.

D. Stakeholder Analysis

3.6 To enable successful project planning and implementation, it is necessary to map the internal stakeholders who will be involved in the project. Problems may arise when stakeholders are not considered at the outset and become involved too late. This can often occur after the contract is in place, which can lead to project delivery issues.

3.7 Of equal importance are the external stakeholders of the borrower. These would typically include other government agencies, the applicants or bidders, trade associations, civil society organizations, and local communities affected by the
project. Without the necessary early engagement, they may seek to influence the project strategy through their links with internal stakeholders.

3.8 Stakeholder analysis is focused on the individuals’ needs and desires from the project, and aims to assess their ongoing involvement throughout the project life cycle. Stakeholder analysis should be based on (i) identifying and mapping key stakeholders, (ii) establishing their interest in the project, and (iii) producing a communication strategy to involve them (Figure 6).

3.9 The stakeholder map should identify and position all the internal and external stakeholders who may be involved in a project, during both its planning and procurement stage and its implementation and contract management stage. The map should categorize each stakeholder by their level of interest in the project and their power and influence over the project (Figure 7). Typical stakeholders would include

(i) government agencies;
(ii) project beneficiaries;
(iii) individuals or groups who will be affected by the project;
(iv) cofinancing or investment partners;
(v) media organizations;
(vi) civil society and nongovernment organizations;
(vii) other ADB functions and task teams;
(viii) other development partners; and
(ix) prospective suppliers of goods, works, and services for the project.
Figure 6: Stakeholder Analysis Process

**IDENTIFY**
Use stakeholder mapping to map all internal and external stakeholders, based on their power and interest.

**INTEREST**
Establish the stakeholders’ interest and requirements from the project, which form the basis of their stakeholder objectives.

**INVolVEMENT**
Produce a communication strategy specifying the ongoing involvement of stakeholders through categorization and analysis.


Figure 7: Stakeholder Mapping

3.10 Once the map has been created, and stakeholders identified, it is then necessary to establish what their objectives are within the project. Borrowers should confirm this information by direct contact with stakeholders wherever possible.

3.11 The stakeholder analysis should consider how engagement with all groups of stakeholders will be carried out, to help determine the direction and success of SPP. Table 1 gives an example of how this strategy should be put together into a communication plan. Once the analyses have been completed, there should be a summary of the conclusions drawn that is included in the SPP document (Appendix 1).

<table>
<thead>
<tr>
<th>Stakeholder Name and Role</th>
<th>[Name]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest in the Project</td>
<td>[e.g., sponsor, beneficiary, bidder, project manager, executing agency, etc.]</td>
</tr>
<tr>
<td>Support and Influence Level</td>
<td>[Support level: e.g., project champion, opponent, neutral, supporter] [Influence level: e.g., decision maker, influencer, gatekeeper, follower]</td>
</tr>
<tr>
<td>Objections, Drivers, Needs, and Levers</td>
<td>[What issues or problems do they have that need resolving? What action to take to address any issues this stakeholder may have?]</td>
</tr>
<tr>
<td>Action</td>
<td>[How does the stakeholder feel about the project and procurement activities? What motivations do they have? What do they need from the project and how can they be influenced?]</td>
</tr>
<tr>
<td>Responsible, Accountable, Consulted, or Informed</td>
<td>[Categorize the stakeholder as: “responsible,” “accountable,” “consulted,” or “informed.”]</td>
</tr>
<tr>
<td>Communicate What, When, and How?</td>
<td>[Communication format, e.g., e-mail, face to face, videoconferencing, etc. By whom? How frequently?]</td>
</tr>
</tbody>
</table>

IV. Market Analysis

4.1 The purpose of the market analysis step of the SPP process is to allow the borrower to develop an appropriate understanding of the relevant market sectors, their structures, and how they operate, which is then reflected in the SPP document (Appendix 1). Based on this understanding, the procurement plan will be tailored to ensure that bidders find the contract packages attractive and are motivated to provide innovative solutions within their proposals. Market analysis will often require more than just office-based research, and the borrower may need to undertake early supplier engagement to gain the necessary data and intelligence.

4.2 Market analysis will summarize (Figure 8):

(i) target markets and segmentation;
(ii) the market’s capability to meet the borrower’s needs and the project’s development objectives;
(iii) how the market views the borrower in terms of attractiveness as the contract employer, e.g., its payment promptness, complaints management, responsiveness to queries, procurement capability, etc.;
(iv) the nature and level of competition within the target market;
(v) suppliers, contractors, and service providers, and their market shares; and
(vi) pricing methodologies.

4.3 The information can be gathered using the following strategic analytical tools:

(i) Porter’s five forces analysis,
(ii) supply positioning, and
(iii) supplier preferencing.

4.4 The results of these tools should be supplemented with information from other sources, such as

(i) annual company reports,
(ii) commodity indexes,
(iii) trade journals and associations,
(iv) government offices,
(v) internet searches,
(vi) stakeholder knowledge and experience, and
(vii) conversations with other development banks’ procurement teams.
Figure 8: Market Analysis Summary

A. Porter’s Five Forces Analysis

4.5 Porter’s five forces is a tool for analyzing the competitive intensity and attractiveness of an industry’s profitability. The “five forces” are those close to a company that affect its ability to serve its customers and make a profit. It defines three forces from “horizontal” competition—the risk of substitute goods or services, the risk of new entrants, and competitive rivalry—and two forces from “vertical” competition—the bargaining power of suppliers and the bargaining power of buyers. Figure 9 describes the framework.

**Figure 9: Porter’s Five Forces**


1. Competitive Rivalry

4.6 Prospective bidders are concerned with the extent of competitive rivalry between themselves and their competitors. The most competitive markets, for example (Box 2), will be those in which

(i) new entrants are likely;
(ii) there are multiple, equally balanced bidders within the market;
(iii) the borrower can exercise control over the bidders;
(iv) the threat of substitutes and new technologies is high;
(v) high fixed costs can lead to competitors cutting prices to gain market share; and/or
(vi) the market has high exit barriers, e.g., expensive fixed assets.
2. Bargaining Power of Buyers

4.7 The bargaining power of the borrower (as the project’s “buyer”) is likely to be high when the following applies (Box 3):

(i) the borrower has high purchasing volumes;
(ii) the borrower has many alternative sources of supply as the goods, works, or services are not differentiated between the potential bidders;
(iii) the planned procurement spending for low-risk, high-value contracts is a large proportion of the project costs allowing the borrower to leverage the market;
(iv) the borrower has low switching costs; and/or
(v) the borrower has full market intelligence and understanding.

Box 2
Example of Porter’s Five Forces—Competitive Rivalry

• There is a relatively small number of firms with the required “know-how” and expertise in design–build–operate contracts.
• The projects are high-risk or complex, where experience in the country or region and of the political landscape may influence the suppliers’ desire to bid.
• Certain countries may favor certain suppliers due to political ties and cultural proximity.
• The steady growth of an industry makes it attractive.
• There are low levels of differentiation.
• The bidding costs are significant.
• A fixed price of power to users may inhibit competition if it limits returns.


3. Bargaining Power of Suppliers

4.8 The bargaining power of the prospective bidders (as the project’s “suppliers”) is likely to be high when the following applies (Box 4):

(i) there is a concentration of potential bidders rather than a fragmented source of supply;
(ii) the switching costs for the borrower in the market or sector are high;

Box 3
Example of Porter’s Five Forces—Buyers’ Bargaining Power

• The principal buyers are governments and some will be more attractive than others based upon factors, such as security, stability, political risk, credit ratings, etc.
• Concerns over the reliability of payments may weaken the borrower’s position.
• The length of procurement processes could influence the bidders’ desire to respond.

(iii) the borrower is not seen as an important or attractive customer to bidders; and/or
(iv) the supply market is dominated by a few, global potential bidders.

**Box 4**

**Example of Porter’s Five Forces—Suppliers’ Bargaining Power**

- The power of high-level technology suppliers is high.
- The power of construction contractors is low, as there is greater competition and many potential sources.
- There is likely to be a limited choice of specialist design and engineering consultants.
- There are potential constraints on construction materials due to logistics, e.g., quarry stone, cement, etc.


4. **Risk of New Entrants**

4.9 The risk of new entrants to a market will depend upon the extent to which there are barriers to entry, for example (Box 5):

(i) economies of scale, which for some industries are extremely important;
(ii) cost of market entry, which will vary according to technology and scale;
(iii) access to distribution channels and the ability to “buy into” established existing infrastructure systems and networks;
(iv) the experience-curve, where it is difficult for a new competitor to break into a supply market where a well-established supplier knows the marketplace well and has developed good relationships with key buyers and its suppliers;
(v) expected retaliation, where a potential entrant believes the retaliation of the existing supplier(s) would be such that could prohibit entry or make entry too difficult and costly; and/or
(vi) legislation or state intervention, which can severely inhibit or prevent companies entering a local market.

**Box 5**

**Example of Porter’s Five Forces—Risk of New Entrants**

- A few, leading suppliers dominate the market and have strong brands.
- Significant barriers to entry result from a need to acquire specialist skills and to have experience of similar projects.
- The capital requirements to bid on projects are significant.
- There are no economies of scale since each project is unique.
- Some proprietary technology are already being used.
- Supply chains are controlled by existing suppliers, creating barriers to entry.
- Emerging technologies may disrupt existing market dynamics, e.g., wind turbines.

5. **Risk of Substitute Goods or Services**

4.10 The risk of substitute goods or services will differ between industry sectors often linked to goods or service life cycles. Industries and sectors where there are high levels of innovation and use of high-level technologies will have a high risk of substitute products or services. The adoption of available substitutes (Box 6) will be influenced by

(i) the borrower’s switching costs,
(ii) the availability of alternative materials within the borrower’s country,
(iii) access to high-level technology within the borrower’s country, and/or
(iv) life cycles and industry innovation.

**Box 6**

**Example of Porter’s Five Forces—Risk of Substitutes**

- There are opportunities to use high-level technology rather than labor.
- Alternative construction materials are available.
- Substitute technologies or construction methods are available.
- Substitutes exist in terms of choice of power generation for the project, e.g., solar, wind, geothermal, hydroelectric, tidal, etc.
- The cost of switching from an existing technology, method, or material is less than the benefits received from the alternative.


B. **Supply Positioning**

4.11 The supply positioning tool is used to consider how to differentiate the procurement approaches for the proposed contract packages and lots within any given project. It positions contracts into four groups based on their level of spending and level of risk: strategic security, strategic critical, tactical acquisition, and tactical advantage (Figure 10). The tool also enables the borrower to adopt the correct level of performance metrics and relationship management styles within the project. While the project’s procurement risk will have been categorized at project conceptualization, it is worth validating further at this stage, based on the analysis of the market and the operating environment.

4.12 Categorizing goods, works, and services according to the nature of the supply situations provides a basis for developing appropriate strategies for managing these procurement arrangements. Projects with most contract packages or lots in the two “strategic” boxes of Figure 10 will be “high-risk” projects, while those in the two “tactical” boxes will be considered as “low-risk” projects.

4.13 This analysis will also provide areas to be considered within the project risk register. High-risk projects will have direct operational support during project processing from ADB procurement staff in the preparation of the procurement plan and bidding documents.
4.14 The tool is applied as follows:

(i) Using the Pareto principle, place the top 80% of project spending, by value, in the two right-hand quadrants and the bottom 20% in the two left-hand quadrants. All contract packages and lots within a project should be positioned.

(ii) Assess the internal and external risks that the borrower may face during each contract and lot, to position them among the two, top quadrants and the two, bottom quadrants. Examples of typical risks are

(a) economic volatility;
(b) environmental considerations;
(c) borrower capacity and capability;
(d) procurement lead time;
(e) process complexity;
(f) safety requirements;
(g) availability of alternatives;
(h) complexity of the specification;
(i) risks existing within the supply chain;
(j) dependency on the supplier;
(k) length of the supply chain;
(l) risk of cartel or market collusion;
Strategic Procurement Planning

(m) corporate social responsibility issues;
(n) ethical procurement issues;
(o) sustainability;
(p) market capacity;
(q) number of acceptable suppliers;
(r) pace of technological change;
(s) switching costs;
(t) possibility of reputational damage; and/or
(u) whether goods, works, or services are a standard or bespoke.

1. Strategic Critical

4.15 Contract packages and lots in this category are critical to the success of the project. Values of individual items are high and are likely to represent the greatest proportion of project spending. Figure 11 gives examples. Key supply positioning principles (Figure 12) for contracts in this quadrant include

(i) gaining in-depth market knowledge,
(ii) building detailed cost models,
(iii) engaging the market early in the process to increase the attractiveness of the packages,
(iv) taking a comprehensive risk management approach,
(v) focusing on total costs of ownership or life cycle costs,
(vi) using weighted selection criteria, and
(vii) taking a collaborative approach to supplier relationship management.

Key deliverables include

(i) reductions in total project costs;
(ii) high levels of innovation;
(iii) clear strategies with executive support and involvement;
(iv) high levels of consistent supplier performance; and
(v) two-way performance measurement, i.e., performance indicators for both the supplier and the borrower.

2. Strategic Security

4.16 The basic characteristic of these low-cost contract packages and lots is that they have the potential to stop or delay the project. Availability of items in this category is constrained by factors, such as limited supply sources, long lead times, or unique or complex technical features. They offer little opportunity for cost reduction due to their low value. The item value is insignificant compared to the potential cost of disruption to the project. Figure 11 gives examples. Key supply positioning principles (Figure 12) for contracts in this quadrant include

(i) undertaking robust risk analysis and management,
(ii) noting that goods in this quadrant may require safety stock,
(iii) focusing on total costs of acquisition rather than price,
(iv) taking a collaborative supplier relationship management approach,
(v) ensuring security of supply, and
(vi) using weighted selection criteria.

Key deliverables include

(i) tight performance measures,
(ii) contingency plans,
(iii) no supply chain failures, and
(iv) frequent checks for alternative methods or solutions to reduce risk.

3. Tactical Acquisition

4.17 Items in this category are the many, low-value, low-risk items typically required by projects to satisfy their routine requirements. Items will normally be available on short lead times from a relatively large number of supply sources and would be to standard designs or specifications. The low level of spending and risk associated with these items does not justify anything other than the minimum of effort in managing supply arrangements. Figure 11 gives examples. Key supply positioning principles (Figure 12) for contracts in this quadrant include

(i) simplifying ordering processes,
(ii) minimizing costs of acquisition,
(iii) ensuring a few suppliers that see the borrower as a “core” customer, and
(iv) requiring relationship management only by exception.

Key deliverables include

(i) well-organized data,
(ii) use of e-procurement where possible,
(iii) catalogue-based ordering, and
(iv) use of framework agreements.

4. Tactical Profit

4.18 Typical characteristics of these items are they are readily available from alternative sources and offer an opportunity to reduce overall project costs. They will normally be regarded as “commodity” goods, works, and services. Management of supply arrangements for these items is based on maximizing the competitive nature of the marketplace. Figure 11 gives examples. Key supply positioning principles (Figure 12) for contracts in this quadrant include

(i) focusing on cost reduction,
(ii) taking advantage of market forces and competition,
(iii) developing in-depth market knowledge,
(iv) using e-auctions where possible, and
(v) taking a win–lose negotiation approach.
Key deliverables include

(i) detailed supplier analysis,
(ii) cost modeling, and
(iii) project cost savings.

Figure 11: Examples of Typical Contract Packages within Each Supply Positioning Quadrant


C. Supplier Preferencing

Supplier preferencing is a tool that enables borrowers to identify how a potential bidder may view them, and how they are likely to behave during a procurement contract. It considers how attractive the project and contract may be to potential bidders and, therefore, how likely it is that they will contribute to fulfilling the project’s development objectives.
The intelligence gathered from this analysis will enable a borrower to ensure they can develop a procurement plan that will appear attractive to the market and encourage participation in the bidding processes. The borrower should consider the following:

(i) Can the borrower make changes to the procurement approach, to make the contract more attractive to the market?

(ii) How can the borrower motivate the market to provide fit-for-purpose, innovative solutions that meet the project development objectives?

(iii) How, and when, should the borrower engage with the market to ensure participation in the bidding process?

The tool considers two criteria to position the supplier’s perspective: contract value and contract attractiveness. Value is considered in terms of its proportion of the supplier’s annual revenue. This information can be gained from supplier’s annual reports or other market analysis reports. Generally, the higher the
proportion of this figure, the more motivated the supplier will be to be involved in the bidding process. The second criterion is attractiveness, which can indicate the likely motivation and willingness to bid and to fulfill the objectives. This is often harder to determine, but it is possible to undertake early supplier engagement to gather information that validates this. Table 2 describes some typical characteristics that may make a project and its contracts attractive or unattractive to suppliers.

4.22 The tool then positions prospective suppliers into four groups based on these criteria: core, develop, harvest, and nuisance (Figure 13). The conclusions drawn from this analysis should help identify risks, along with which suppliers should or should not be targeted to be involved in the bidding process.

**Figure 13: Supplier Preferencing Tool**

- **Develop**: Supplier nurtures relationship, performs well, and provides incentives
- **Harvest**: Supplier seeks short-term advantage
- **Core**: Supplier seeks to “lock in” the buyer
- **Nuisance**: Supplier gives minimum attention and seeks to avoid or withdraw

Table 2: Supplier Preferencing Examples of Project or Contract Attractiveness

<table>
<thead>
<tr>
<th>Attractive Characteristics</th>
<th>Unattractive Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Profitable projects</td>
<td>• Delayed or erratic payments</td>
</tr>
<tr>
<td>• Good contract management processes</td>
<td>• Security concerns</td>
</tr>
<tr>
<td>• Transparent complaints handling</td>
<td>• Unreliable supply chains</td>
</tr>
<tr>
<td>• Reliable payment processes</td>
<td>• Onerous terms and conditions</td>
</tr>
<tr>
<td>• Security in country</td>
<td>• Poor borrower planning</td>
</tr>
<tr>
<td>• Minimized bureaucracy</td>
<td>• Uncertain or unmanageable risks</td>
</tr>
<tr>
<td>• Stable government</td>
<td>• Limited local labor</td>
</tr>
<tr>
<td>• Business growth opportunities</td>
<td>• Lack of support market capability</td>
</tr>
<tr>
<td>• Forward planning</td>
<td>• Difficult logistics and customs</td>
</tr>
<tr>
<td>• Easy to service during contract execution</td>
<td>• Bureaucratic processes</td>
</tr>
<tr>
<td>• Information sharing</td>
<td>• Low profit margins</td>
</tr>
<tr>
<td>• Good risk management</td>
<td>• Lack of trust in relationship management</td>
</tr>
<tr>
<td>• Efficient customs processes</td>
<td>• Delayed evaluation processes</td>
</tr>
<tr>
<td></td>
<td>• Uncertainty on project execution dates</td>
</tr>
</tbody>
</table>

5.1 The purpose of the risk management step of the SPP process is to thoroughly and accurately identify and mitigate potential risks to the project and its procurement contracts, which is then reflected in the SPP document (Appendix 1). The process begins during ADB’s CPS and operational business planning with the borrower, through the CSPRA. The Guidance Note on Procurement Risk Framework discusses the CSPRA process in detail. The risks and mitigation measures identified in the CSPRA cascade down into the project procurement risk assessment (PPRA) and project risk register developed during SPP.

A. Project Procurement Risk Assessment

5.2 PPRA is the process of identifying and minimizing the likelihood and impact of risks occurring within a project. The PPRA should focus on risks that may affect the successful implementation of the project and seek to ensure that projects are not subject to delays or failures caused by the realization of these risks.

5.3 ADB will conduct the PPRA during project processing. When completing the PPRA, consideration needs to be given to risks already identified in the CSPRA (if available), during the project conceptualization stage, and from the borrower’s capacity and capability assessment, and the market analysis.

5.4 To make the PPRA process manageable, the assessment can be structured around the following key areas:

(i) market complexity and competitiveness;
(ii) borrower experience, including capability and capacity;
(iii) safety and security at the project site;
(iv) macroeconomic factors;
(v) business and operating environment;
(vi) technical innovation;
(vii) pricing trends;
(viii) supplier relationship management;
(ix) any discrepancies between local procurement regulations and ADB procurement regulations;
(x) sustainability issues; and
(xi) supply chain issues.
5.5 When quantifying the identified risks, it is necessary to take a cross-functional approach to the risk ratings to make the analysis more objective. The following issues should be considered during this process:

(i) previous experience and judgment of the borrower,
(ii) information from other development banks gained during market analysis,
(iii) understanding of key decision drivers from the borrower and the supply market,
(iv) assessment of the capacity of local contractors and suppliers who could potentially bid for packages under the project,
(v) deeper analysis of assumptions made during project conceptualization, and
(vi) root cause analysis of the risks identified.

5.6 Once all the key risks have been identified, they need to be rated and prioritized, using the risk assessment tables available in Appendix 1 of the Guidance Note on Procurement Risk Framework. Each risk should be scored against the two criteria of impact and likelihood on a scale of 1 to 5, so that a classification of their criticality can be made, in terms of how they may affect the project’s development objectives.

5.7 It may not be possible for ADB and the borrower to address all risks identified through the PPRA and procurement arrangements selected in the SPP. Nonetheless, appropriate mitigation measures should be developed for as many risks as possible, including assigning a responsible authority to each mitigation measure. This approach will inform the procurement strategy and may form part of the contract and/or contract management plan for each procurement contract. Mitigation actions fall into the following four main types:

(i) **Avoid.** Choosing not to accept the risk, e.g., an activity is avoided as the risk is deemed too great.
(ii) **Minimize.** Reduce or control the risk through improved monitoring, process change, new procedures, etc.
(iii) **Spread or transfer.** It may be possible to transfer or share risks using actions, such as subcontracting, outsourcing, public–private partnerships, joint ventures, hedging, insurance, etc.
(iv) **Accept.** Decide that the risk is within an agreed tolerance level.

5.8 If the project involves low-risk, standard procurement, for example, when a PPRA was already undertaken for similar projects with the same executing agency and when the executing agency has demonstrated satisfactory experience in implementing externally funded investment projects, a simplified PPRA may be undertaken following ADB’s Guide on Assessing Procurement Risks and Determining Project Procurement Classification (2015).¹

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B. Risk Register

5.9 After developing the PPRA, it will then be necessary to create a project risk register, which will manage the allocated risks during the procurement process to ensure that the mitigation measures will remain effective. It will also help in determining (i) appropriate thresholds for international and national advertisement under open competitive bidding for the project, based on the supply market capacity and identified risks; and (ii) whether ADB’s review of borrower procurement decisions will be done on a prior review or post review (sampling) basis, based on the borrower’s experience, capacity, and mitigation measures.

This document provides inputs into ADB’s project processing documents, including the report and recommendation of the President (RRP), the project administration manual, and the procurement risk assessment and management plan. Table 3 gives a simplified example risk register.

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Likelihood (L) (1–5)</th>
<th>Impact (I) (1–5)</th>
<th>Risk Score (L x I)</th>
<th>Proposed Mitigation</th>
<th>Risk Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variation in scope or costing after contract award</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>Improve specifications and cost estimates</td>
<td>Borrower</td>
</tr>
<tr>
<td>Abnormally low bids</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>Use ADB’s processes for handling abnormally low bids</td>
<td>ADB and the borrower</td>
</tr>
<tr>
<td>Inadequate information for technical specifications</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>Early supplier involvement</td>
<td>ADB and the borrower</td>
</tr>
<tr>
<td>Evaluation period takes too long</td>
<td>3</td>
<td>4</td>
<td>12</td>
<td>ADB to support the borrower to speed up the process</td>
<td>ADB and the borrower</td>
</tr>
<tr>
<td>Poor contract management</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>Improve the borrower’s capacity in contract management</td>
<td>Borrower</td>
</tr>
<tr>
<td>Security or civil unrest issues</td>
<td>2</td>
<td>4</td>
<td>8</td>
<td>Provide security support and secure facilities</td>
<td>Borrower</td>
</tr>
</tbody>
</table>

VI. Options Analysis

6.1 This step of the SPP process generates strategic procurement options that will fulfill the overarching project needs, which are then reflected in the SPP document (Appendix 1). It considers the project’s development objectives, stakeholder objectives, and procurement objectives that have been assessed in the previous steps. The procurement options generated here will influence the procurement strategy and procurement plan in the next step. This will help to ensure that the procurement plan is fit for purpose and will provide the maximum opportunity for the project to deliver VFM sustainably.

6.2 This analysis should summarize the procurement options available for the project. It should be based on the research and analysis undertaken in the previous steps of the SPP. It is likely there will be different procurement options available to the borrower, so it is important that the options are screened and assessed correctly to ensure the SPP will deliver the most fit-for-purpose approach, to maximize the VFM in project and contract delivery. Figure 14 describes the process.

A. Key Options to Consider

6.3 The following subsections review some of the key procurement options to assess during the options analysis. Decisions made on these options become part of the procurement strategy and procurement plan.

1. Contract Packaging and Scheduling

6.4 Determining the most fit-for-purpose number and type of contracts for the project depends heavily on the judgment and experience of its procurement staff, and can play a major role in the ultimate success or failure of the project to meet its development objectives. Appendix 2 gives some guidance and “best practice” principles to consider during the process.

6.5 It is also important to determine the most fit-for-purpose sequence of starting and completing different procurement activities, considering various factors, such as project requirements and priorities, technical aspects of each contract, project locations, or even local traditions and customs. This includes the following:
(i) **Completion date.** This needs to be established for each procurement activity (i.e., when the works need to be completed, or when the goods or services need to be delivered and ready for use), all of which need to fall within the project time frame.

(ii) **Implementation period.** This needs to be estimated for each contract, which may be influenced by many factors, such as local conditions (weather, climate, season, security, rules and regulations, etc.), market conditions (availability of goods and services; contractors’, suppliers’, or service providers’ capacity, etc.), and the borrower’s capacity and capabilities.

(iii) **Lead time.** In determining the lead time required to complete the bidding process for each activity (from advertisement to contract award), the primary factors to be considered may include:
   (a) the borrower’s capacity and capabilities;
   (b) readiness of detailed design and/or technical specifications for each package;
   (c) the procurement or selection method, and bidding procedures to be followed;
   (d) the value and complexity of the procurement; and
   (e) the review method by ADB (prior review or post review [sampling]).

**Figure 14: Generating Strategic Procurement Options for Analysis**

PPRA = project procurement risk assessment, SWOT = strengths–weaknesses–opportunities–threats, VFM = value for money.

These three timelines can be used to determine when the procurement activity should be advertised. Some allowance should be made for unforeseen factors that may protract the process.

2. Procurement Method and Bidding Procedures

6.6 Procurement staff of the project will need to determine the most fit-for-purpose procurement method and bidding procedures for each contract package. The 2017 procurement regulations describe the available methods, such as open competitive bidding (OCB), request for quotations, direct contracting, etc. The Guidance Note on Open Competitive Bidding describes the OCB method in more detail, which is ADB’s preferred option in most cases. The Guidance Notes on (i) Consulting Services Administered by ADB Borrowers, (ii) Nonconsulting Services Administered by ADB Borrowers, and (iii) Framework Agreements for Consulting Services describe the methods in more detail for consulting and nonconsulting service selections.

6.7 The method selected will influence the choice of bidding procedures. OCB for goods, works, or nonconsulting services generally permits single-stage and two-stage processes, with either one-envelope or two-envelope submissions of the technical and financial proposals. Appendix 3 describes these procedures in more detail. OCB may use international or national advertisement, following the procedures described in the procurement regulations. Prequalification procedures are permitted for more complex contracts, and are described further in the Guidance Note on Prequalification. OCB for consulting firms generally uses prequalification (also known as shortlisting) and single-stage–two-envelope procedures, and is described further in the Guidance Note on Consulting Services Administered by ADB Borrowers. If the use of a standstill period is desired within the bidding procedures, the Guidance Note on Standstill Period has more details.

3. Specifications

6.8 One of the biggest opportunities to improve the VFM in ADB–supported projects is to ensure the correct specification type is selected, following the strategic analysis of the operating environment, market conditions, and project risks. There are two types of specifications the borrower should consider: (i) conformance specifications and (ii) performance specifications. The Guidance Note on Value for Money has more details on these two types of specifications and when to use them. The Guidance Note on Consulting Services Administered by ADB Borrowers and the Guidance Note on Nonconsulting Services Administered by ADB Borrowers also include guidance on developing specifications for these services, usually known as the terms of reference for consultants and the work statement for nonconsulting service providers.
4. **Review Requirements**

6.9 ADB and the borrower assess each contract package and agree on the procurement review arrangements based on the project’s procurement risk categorization (as “A,” high-risk, or “B,” low-risk), on the borrower’s capacity and capabilities, and on the risk and complexity of the package. The procurement review options are (i) prior review, in which ADB reviews and approves key documents and decisions prior to them being implemented; or (ii) post review (sampling), in which ADB reviews documents, decisions, and procurement processes, on a sample basis, after contract signing. The *Guidance Note on Procurement Review* gives more details on these options.

5. **Contract Form, Pricing Method, and Bidding Documents**

6.10 The use of ADB standard bidding documents and contract forms is encouraged. Widely used contract forms are the Multilateral Development Bank Harmonized Edition of FIDIC General Conditions of Contract for large works, General Conditions of Contract for Process Plant Construction of the Engineering Advancement Association of Japan, and ADB’s general conditions of contract for consulting services. However, if during the review of options it becomes evident that other forms are more fit for purpose than those included in ADB’s standard bidding documents, other internationally acceptable forms of contract could be used with the prior approval of ADB. These include, for example, the FIDIC suite, New Engineering Contracts (NEC), or those from other international financial institutions. In all such cases, special conditions of contract shall contain ADB’s specific provisions related to eligibility, integrity violations, safeguards, respectful work environment, dispute resolution, and arbitration.

6.11 The contract’s pricing method should be assessed based on the type of specification used (conformance or performance) and the nature of the goods, works, or services required. ADB prepares standard templates for lump sum and unit price (also known as time-based or admeasurement) contracts. Other common forms include performance based, framework, percentage, and cost plus.

6. **Performance Indicators**

6.12 Many assignments will need a careful definition of quality through performance indicators. At this stage, it is important to develop initial indications of what could be measured and how it could be measured. Performance indicators should be specific, measurable, achievable, relevant, and time-bound (SMART). The *Guidance Note on Quality* and the *Guidance Note on Contract Management* provide further details of key performance indicators.

7. **Evaluation and Qualification Criteria**

6.13 The borrower will need to assess the number and type of evaluation and qualification criteria to include in the bidding documents. Qualification criteria ensure only a bidder with the appropriate professional, financial, and technical
capacity to successfully perform the contract is awarded the contract. Qualification requirements should be limited to those necessary to establish that a bidder has such capacity. Evaluation criteria should reflect the requirements of the assignment and the most critical supplier characteristics that are key to the delivery of desired contract outcomes, as described in the specification. ADB’s user’s guides to its standard bidding documents and the Guidance Notes on (i) Open Competitive Bidding, (ii) Quality, and (iii) Value for Money give more information on the design and use of evaluation and qualification criteria.

6.14 Other issues to consider at this stage include (i) evaluating any subcontractors proposed by bidders (Guidance Note on Subcontracting), (ii) if a domestic preference scheme should be applied (Guidance Note on Domestic Preference), and (iii) assessing and responding to abnormally low bids (ADB’s standard procedures for this are described in the Guidance Note on Abnormally Low Bids).

8. Contract Management Approach

6.15 The options and approach for managing each contract package should be given initial consideration at this stage, based on the various options assessed in the previous subsections. The results of the supply positioning and supplier preferencing tools in section IV should also be considered, to determine in which of their four quadrants the contract falls and the most suitable relationship management approach as a result. The Guidance Note on Contract Management gives further details on creating the contract management approach and contract management plan for the contract.

B. Procurement of Information Technology Products and Services

6.16 Different approaches should be used in the procurement of information technology (IT) products and services, depending on the nature and complexity of the contract packages. These could be considered under two broad categories: (i) run procurement, which includes relatively simple off-the-shelf software, hardware, and associated services; and (ii) procurement for innovation, which is more complex in terms of design and operation and maintenance, may require to be fit within existing infrastructure or processes, and has elements of innovation of proprietary nature and with limited presence in the market. Appendix 4 provides more details on procurement of IT products and services.

C. Screening and Selecting Strategic Options

6.17 To ensure that the procurement strategy will provide a fit-for-purpose approach to each contract package that delivers VFM, the options generated from the analysis should be rated based on the following criteria:
(i) **Suitability.** Will the option meet the project’s overall development objectives?

(ii) **Feasibility.** Will the option work? Can it be achieved in an acceptable cost and time frame? Does the market have the capacity? Are the required resources available?

(iii) **Acceptability.** Will the identified stakeholders support and buy-in to the option?

6.18 Each option generated should be rated against these criteria. Figure 15 and Table 4 describe the rating process further.

---

**Figure 15: Screening and Selecting Strategic Options**

- Develop potential strategic options (e.g., on specification, contract type, pricing structure, etc.)
- Refine options and define elements of the strategy
- Screen possibilities based on development objectives, stakeholder needs, and procurement needs
- Comparative risk assessment
- Ensure suitability, feasibility, and acceptability
- Evaluate against project’s development objectives
- Identify shortlist of, typically, two to four possibilities for each option (e.g., for specification: conformance or performance)
- Select preferred strategy for each option
- Prepare procurement strategy and procurement plan documents

### Table 4: Simplified Example of Rating Strategic Options

<table>
<thead>
<tr>
<th>Option</th>
<th>Feasibility (1–10)</th>
<th>Suitability (1–10)</th>
<th>Acceptability (1–10)</th>
<th>Overall (3–30)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Option 1</strong>&lt;br&gt;Open competitive bidding with detailed specification and prequalification</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>24</td>
</tr>
<tr>
<td><strong>Option 2</strong>&lt;br&gt;Limited competitive bidding with detailed specification</td>
<td>7</td>
<td>4</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td><strong>Option 3</strong>&lt;br&gt;Open competitive bidding for design–build–operate contract type based on preliminary design by the borrower</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td><strong>Option 4</strong>&lt;br&gt;Open competitive bidding for design–build contract type</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>17</td>
</tr>
</tbody>
</table>

VII. Procurement Strategy

7.1 After screening the strategic options available to fulfill the project’s development objectives, the procurement arrangements being recommended are summarized as the procurement strategy in the SPP document (Appendix 1). The completed SPP document is then submitted to ADB for its no-objection before the RRP is finalized for approval by ADB.
8.1 The final step of the SPP process is to synthesize the analyses, preferred options, and strategy into the project procurement plan. The procurement plan shall be prepared for all investment projects, including tranches under multitranche financing facilities, additional financing requests, and financial intermediary loans, except for policy-based lending and results-based lending. The borrower prepares the project procurement plan and its results shall be inputted and endorsed in ADB’s PRS. It has five sections and shall provide basic project data, including project name; number; country; name of executing and/or implementing agency(ies); project financing amount, including financing from ADB and any cofinancing; project closing date; etc. Appendix 5 provides an example procurement plan. The five sections are

(i) **Section A: Methods.** Indicates the methods to be applied for the procurement of goods, works, nonconsulting, and consulting services.

(ii) **Section B: Active Procurement Packages.** Lists the goods, works, nonconsulting, and consulting services contracts for which procurement activity is either ongoing or expected to commence within the procurement plan’s duration.

(iii) **Section C: Indicative Packages.** Lists the goods, works, nonconsulting, and consulting services contracts for which procurement activity is expected to commence beyond the procurement plan’s duration and over the life of the project (i.e., those expected beyond the current procurement plan’s duration).

(iv) **Section D: Awarded Contracts.** Lists the awarded and completed contracts for goods, works, nonconsulting and consulting services in the project (applicable to revisions of the procurement plan made once the project is underway).

(v) **Section E: Non-ADB-Financed Contracts.** Lists the goods, works, nonconsulting, and consulting services contract packages over the life of the project financed by non-ADB sources, i.e., by government counterpart funds or cofinanciers.

8.2 In preparing the procurement plan in PRS, the dropdown menu should be used to select appropriate procurement methods, prior review or post review (sampling) arrangements, and bidding procedures, as well as project procurement classification, procurement risk, and whether advance contracting, retroactive financing, and electronic procurement will be applied under the project.
A. Contract Packages and Scheduling

8.3 The procurement plan shall, to the extent possible, detail the confirmed and indicative contract packaging and scheduling arrangements, following the format of the plan’s five sections. Section 6.A.1. of this guidance note gives advice on assessing and preparing these arrangements.

B. Procurement Review

8.4 ADB’s procurement review arrangements of prior or post review (sampling) shall be specified in the procurement plan for each package. High-risk contracts in the procurement plan are subject to ADB’s prior review. The decision on granting post review (sampling) will be based on the assessment of the executing agency’s capacity to take on greater procurement responsibility, which is to be done during the PPRA. The decision on using prior or post review (sampling) depends not on the method of procurement, but on the procurement risk level. The Guidance Note on Procurement Review has more details.

C. Documenting and Updating the Procurement Plan

8.5 The first procurement plan and the updates, annual or as necessary, will be published on the ADB website. It is the responsibility of concerned ADB project staff to ensure that borrowers prepare and forward soft copies of the procurement plans to ADB, so that ADB project staff can enter or update the information in PRS. Borrowers are not required to publish procurement plans locally, but are encouraged to do so.

8.6 The first procurement plan is incorporated into the project administration manual and is endorsed by ADB. ADB and the borrower agree on the procurement plan during loan or grant negotiations. Additional details, if necessary, can be provided as a supplementary appendix to the RRP during project approval.

8.7 When ADB approves advance contracting, the advance procurement activities shall be reflected in the procurement plan agreed on at loan or grant negotiations.

8.8 The initial duration of the procurement plan is set at 18 months. This implies that, to the extent possible, packages to be procured during the first 18 months of the project should be inputted in the procurement plan. The procurement plan should be updated every 12 months or, if necessary, more frequently, by the borrower. A delay in loan effectiveness, other start-up delays, and delays during implementation will require an unscheduled procurement plan update. Changes to a procurement plan will conform to any approval requirements set out in ADB’s internal staff instructions on procurement. ADB will review each updated procurement plan prior to its publication.
## Appendix 1: Strategic Procurement Planning Template

### Section 1: Project Concept

<table>
<thead>
<tr>
<th>Project Title</th>
<th>[Complete each section.]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td></td>
</tr>
<tr>
<td>Executing Agency</td>
<td></td>
</tr>
<tr>
<td>Implementing Agency</td>
<td></td>
</tr>
<tr>
<td>Project Development Objectives</td>
<td></td>
</tr>
<tr>
<td>Project Description</td>
<td></td>
</tr>
<tr>
<td>Description of Indicative Contract Packages</td>
<td></td>
</tr>
<tr>
<td>Summary of the Financing Agreement</td>
<td></td>
</tr>
</tbody>
</table>

### Section 2: Operating Environment

#### A. Capacity and Capability Assessment of the Borrower

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Complete each section.]</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
</table>
### B. Support Requirements

<table>
<thead>
<tr>
<th>Procurement Capability and Capacity</th>
<th>[Complete each section.]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience in Implementing Similar Projects</td>
<td></td>
</tr>
<tr>
<td>Contract Management Capability and Experience</td>
<td></td>
</tr>
<tr>
<td>Level of Reliance on External Consultants</td>
<td></td>
</tr>
<tr>
<td>Existence and Description of Complaints Management System</td>
<td></td>
</tr>
</tbody>
</table>

### C. Key Procurement Conclusions

[This section should include a summary of the borrower’s capacity and capability analysis and support requirements, showing the major issues identified, which will be factored into the procurement strategy and procurement plan.]

### D. External Influences Analysis

<table>
<thead>
<tr>
<th>Governance</th>
<th>[Complete each section.]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td></td>
</tr>
<tr>
<td>Sustainability</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td></td>
</tr>
</tbody>
</table>
E. Key Procurement Conclusions

This section should include a summary of the external influences analysis, showing any major potential drivers of change that will need to factored into the procurement strategy and procurement plan.

F. Stakeholder Analysis and Communication Plan

G. Stakeholder Communication Plan

<table>
<thead>
<tr>
<th>Stakeholder Name and Role</th>
<th>[Name] [Complete one table for each key stakeholder.]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest in the Project</td>
<td>[e.g., sponsor, beneficiary, bidder, project manager, executing agency, etc.]</td>
</tr>
<tr>
<td>Support and Influence Level</td>
<td>[Support level: e.g., project champion, opponent, neutral, supporter] [Influence level: e.g., decision maker, influencer, gatekeeper, follower]</td>
</tr>
<tr>
<td>Objections, Drivers, Needs, and Levers</td>
<td>[What action to take to address any issues this stakeholder may have? What issues or problems do they have that need resolving?]</td>
</tr>
</tbody>
</table>
Appendix 1

<table>
<thead>
<tr>
<th>Action</th>
<th>[How does the stakeholder feel about the project and procurement activities? What motivations do they have? What do they need from the project and how can they be influenced?]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible, Accountable, Consulted, or Informed</td>
<td>[Categorize the stakeholder as: “responsible,” “accountable,” “consulted,” or “informed.”]</td>
</tr>
<tr>
<td>Communicate What, When, and How?</td>
<td>[Communication format, e.g., e-mail, face to face, videoconferencing, etc. By whom? How frequently?]</td>
</tr>
</tbody>
</table>

H. Key Procurement Conclusions

[This section should include a summary of the stakeholder analysis and communication plan for any key stakeholder communications that should be factored into the procurement strategy and procurement plan.]

Section 3: Market Analysis

A. Porter’s Five Forces

<table>
<thead>
<tr>
<th>Competitive Rivalry</th>
<th>[Complete each section.]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bargaining Power of Buyers</td>
<td></td>
</tr>
<tr>
<td>Bargaining Power of Suppliers</td>
<td></td>
</tr>
<tr>
<td>Risk of New Entrants</td>
<td></td>
</tr>
<tr>
<td>Risk of Substitutes</td>
<td></td>
</tr>
</tbody>
</table>
B. Key Procurement Conclusions

This section should include a summary of the Porter’s five forces market analysis for any key issues that should be factored into the procurement strategy and procurement plan.

C. Supply Positioning

![Supply Positioning Diagram]

D. Key Procurement Conclusions

This section should include a summary of the supply positioning analysis for any key issues that should be factored into the procurement strategy and procurement plan.
E. **Supplier Preferencing**

[Complete each section.]

F. **Key Procurement Conclusions**

[This section should include a summary of the supplier preferencing analysis for any key issues that should be factored into the procurement strategy and procurement plan.]
Section 4: Risk Management

Project Procurement Risk Assessment Risk Register

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Likelihood (L) (1–5)</th>
<th>Impact (I) (1–5)</th>
<th>Risk Score (L x I)</th>
<th>Proposed Mitigation</th>
<th>Risk Owner</th>
</tr>
</thead>
</table>

[Complete each section, following the guidance in the Guidance Note on Procurement Risk Framework]

I = impact, L = likelihood.

Section 5: Options Analysis

<table>
<thead>
<tr>
<th>Strategic Options Description</th>
<th>Feasibility (1–10)</th>
<th>Suitability (1–10)</th>
<th>Acceptability (1–10)</th>
<th>Overall (3–30)</th>
</tr>
</thead>
</table>

[Complete each section.]

Section 6: Procurement Strategy Summary

[This section summarizes the results of the strategic procurement planning (SPP) exercise into the procurement strategy by indicating and rationalizing the preferred procurement arrangements through the following subsections. Complete each subsection.]

A. Procurement Packaging and Scheduling

A1.1 [Summarize the number of contract packages and lots to be advertised, and their approximate timings, and provide justification based on the analyses of the SPP process.]
Appendix 1

B. Procurement Method

A1.2 [Summarize the procurement methods and advertising arrangements that will be used in the project (e.g., open competitive bidding with international advertising, open competitive bidding with national advertising, limited competitive bidding, request for quotations, direct contracting, etc.), including bid preparation period and any thresholds that may have been agreed on for the project packages, above or below which a particular method will apply. Provide justification based on the analyses of the SPP process, especially if limited competitive and noncompetitive methods are proposed.]

C. Prequalification

A1.3 [Describe any planned prequalification arrangements for key packages, including whether the prequalification plans to limit the number of applicants invited to bid. Provide justification based on the analyses of the SPP.]

D. Bidding Procedures

A1.4 [Describe the planned bidding procedures for key packages (i.e., single-stage–one-envelope, single-stage–two-envelope, two-stage, two-stage–two-envelope, multistage) and provide justification based on the analyses of the SPP process.]

E. Specifications

A1.5 [Describe the type of specifications that will be developed for key packages, e.g., conformance or performance, and provide justification based on the analyses of the SPP process.]

F. Review Requirements

A1.6 [Summarize the agreed on procurement review arrangements for the project (i.e., prior review and/or post review {sampling}), including any thresholds that may have been agreed on for the project packages, above or below which a particular review arrangement will apply. Provide justification based on the analyses of the SPP process, especially where post review (sampling) is proposed.]

G. Standstill Period

A1.7 [Describe if the use of a national standstill period is proposed for any of the packages and, if so, indicate the length of the standstill period. Provide justification based on the analyses of the SPP process.]
H.  Standard Bidding Documents and Contract Forms

A1.8  [Summarize the standard bidding documents (SBDs) and contract forms that will be used for the project (e.g., for SBDs, those of the Asian Development Bank {ADB} for goods, works, small works, plant, information technology, or design–build–operate, or its standard request for proposals for consultants, other SBDs from the borrower or other international organizations, etc.; and, for contract forms, the FIDIC Multilateral Development Bank Harmonized Edition of General Conditions of Contract for large works, the Engineering Advancement Association of Japan General Conditions of Contract for Process Plant Construction, ADB’s general conditions of contract for consulting services, forms from New Engineering Contracts, etc.). Provide justification based on the analyses of the SPP process, especially if the use of non-ADB SBDs are proposed.]

I.  Pricing and Costing Method

A1.9  [Describe the pricing and costing method for key packages, indicating whether payments are lump sum, fixed price, unit price or admeasurement, cost plus, target fee, etc. Provide justification based on the analyses of the SPP process, especially if arrangements other than lump sum or unit price are proposed.]

J.  Key Performance Indicators

A1.10  [Summarize the project’s development objectives that need translating into performance indicators and indicate how these will be applied across the different packages; e.g., certain indicators may only apply to specific contracts. Provide justification based on the analyses of the SPP process.]

K.  Evaluation Method

A1.11  [Describe the evaluation method for key packages, e.g., whether it will use rated criteria, lowest evaluated price, or another method. Provide justification based on the analyses of the SPP process.]

L.  Contract Management Approach

A1.12  [Describe the contract management approach to be used for key packages, e.g., collaborative, transactional, minimal, adversarial, etc. Provide justification based on the analyses of the SPP process.]
Appendix 2: Determining the Type and Size of Contracts

A2.1 A project will normally involve one or a combination of contract types:

(i) **Supply contracts.** These involve the supply and delivery of equipment or materials to a project location (or locations under the same bid), and may also include related services, such as installation, testing, and commissioning, and training necessary to meet the overall scope.

(ii) **Works contracts.** These involve constructing engineered structures, such as roads, bridges, buildings, and irrigation structures like canals or dams.

(iii) **Contracts for plant.** These comprise the design, supply, and installation of an entire facility, which may include various items of equipment, machinery, and materials, including certain construction works, and are usually a single responsibility contract, such as water or wastewater treatment plants, electricity generation or transmission components, etc.

(iv) **Consulting services contracts.** These comprise services of an intellectual or advisory nature.

(v) **Nonconsulting services contracts.** These comprise (i) services for which the physical aspects of the activity predominate and performance standards can be clearly identified and consistently applied as the basis for contracting; or (ii) routine services which, while requiring intellectual and advisory inputs, are based on recognized standard offerings readily available and which do not require evaluation of tailored methodologies or techniques.

A2.2 The objective in determining contract packages is to divide the requirements of the project into a manageable number of appropriate contracts that will produce the maximum competitive response from bidders and that will deliver the project’s development objectives in the most fit-for-purpose manner while achieving value for money. Considerations in determining packages include

(i) the magnitude, nature, and location of the project;

(ii) contract sizes should be as large as practical to attract contractors, suppliers, or service providers in the market and to minimize the number of bid packages, while ensuring effective competition;

(iii) for projects requiring both civil works and the supply and installation of equipment, separate contracts are normally awarded, and the type of contract is normally determined by which items in the scope
dominate, e.g., a certain works contract may include the supply of some limited pieces of equipment, and a supply contract may include some installation works that are civil in nature;

(iv) goods of the same or related nature should be included in a single contract or a single bid package with multiple lots, even if the goods are to be delivered to different locations and/or at different (but not distant) times;

(v) bidding by manufacturers should be facilitated, e.g., by using a single bid package with multiple lots, where each lot includes goods potentially having the same manufacturer;

(vi) works to be carried out in different locations (even if they are of a similar nature) may be considered for procurement under separate contracts;

(vii) for works, homogeneous contract sections or buildings or other physical facilities need to be determined and assessed against the capabilities of local contractors and the perceived level of interest of foreign contractors;

(viii) the manufacturing of a certain product or equipment and other fixtures, and the building containing them for a manufacturing or industrial operation for a certain type of output, can be procured under a single plant contract, where such contracts are normally large and complex, e.g., power plant, water treatment plant, telecommunications system, and similar projects; and

(ix) the capacity of the borrower to procure and administer the contracts.

A2.3 Whenever possible, each bid package or contract should be large enough to attract international bidders, normally through the use of international advertising and English language bidding documents. Upon the request of the borrower, national advertising\(^1\) may be considered where the procurement and market risk assessments demonstrate that

(i) either (a) foreign contractors, service providers, and/or suppliers are not likely to be interested in bidding or (b) the advantages of international advertising are clearly outweighed by the administrative or financial burden involved, provided procurement procedures are satisfactory to the Asian Development Bank (ADB); and

(ii) enough domestic contractors, service providers, and/or suppliers are capable of providing the required quantity and quality of works, services, or goods at reasonable costs and within the required time frame.

\(^1\) In this guidance note, “national advertising” refers to advertising solely in the national press or official gazette, or a free and publicly accessible website. In such cases, the use of local language in bidding documents will be permitted with provisions requiring (i) bids to be submitted in the local language; (ii) bid prices and payment currency limited to local currency; and/or (iii) bid and performance security (if used) restricted to local banks or in forms different from those allowed by ADB for international advertising, provided they are authorized to be used by local procurement laws, rules, and regulations deemed acceptable by ADB.
A2.4 For goods procurement, the nature and value of the goods grouped into each contract package and the conditions of the potential market of supply must be understood.

**A. Multiple Contracts**

A2.5 For similar but separate construction works or items of equipment, bids should be invited under alternative contract options (lots), i.e., bidders may submit bids for any or all contracts in a multicontract package, so that both small and large contractors or suppliers can bid for individual contracts or for a group of similar goods or works. Bidders may offer various combinations or discounts for awards of two or more contracts. Bids and combinations of bids are evaluated simultaneously to determine the least-cost combination. A maximum of five contracts (or lots) is recommended to be included in a single package to avoid complicated assessment of possible combinations. Bidders may be evaluated and awarded contracts based on different qualification criteria, i.e., annual turnover and financial resources, for different contracts (lots). The method of evaluating and awarding the contracts must be clearly stated in the bidding documents.

**B. Complex Contracts**

A2.6 Normally the borrower will provide the design and specifications, the winning bidder will deliver the goods or construct the physical facility, and the borrower's representatives or engineers will supervise the performance of the contract. Bidding starts when the engineering designs are ready so suppliers and contractors will be able to quote prices for the goods and/or works desired and in accordance with borrower-provided designs and specifications.

A2.7 When a large, complex contract is to be undertaken, the borrower may consider that completing all the engineering designs and specifications before selecting the contractor may not be efficient, in which case the design work is included in the scope of the contract to be bid out. Thus, a single-responsibility design, supply, and install contract should be considered.

A2.8 In the context of ADB-financed and ADB-administered projects, particularly for a contract for plant, another dimension in classifying the type of contract is whether it is a turnkey contract, in which the engineering, the design, the supply of equipment, and the construction and commencement of operations of

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2 Experience-related criteria should not be aggregated in multiple contracts criteria. By meeting the “experience in similar contracts” or “experience in key activities” criteria for the highest experience among the contracts (lots), a bidder will almost always have sufficient capacity to successfully perform all contracts (lots), subject to the size of its operations (as determined by its average annual turnover) and its access to sufficient financial resources, equipment, and key personnel.
a complete plant are provided through a single contract, including commissioning and training. In this case, the borrower requires the delivery of a fully-equipped facility from the contractor, ready for operation (or turnkey). Usually, the contractor carries out all the engineering, procurement, and construction works, in which case a turnkey contract is also termed an engineer–procure–construct (EPC) contract. EPC contracts, which have the advantage of less risk and administrative burden on the borrower, normally involve little or no underground works.

A2.9 While a single-responsibility contract has advantages, the borrower will have less control over the design and may have difficulty imposing varied requirements during contract implementation. In addition, the more responsibility given to the contractor, the less the borrower’s role in administering the contract. More responsibility means more risk taken by the contractor, with the expectation of higher contract prices to accommodate this.

A2.10 Depending on the capacity and experience of executing agencies, project teams may consider contract forms other than those provided in ADB’s standard bidding documents, such as internationally-recognized forms for design–build, design–build–operate, operation and maintenance, turnkey, or EPC contracts. In all cases, ADB’s bidding procedures and specific special conditions of contract will be used.
Appendix 3: Selecting the Bidding Procedure

A. Summary of Bidding Procedures

A3.1 The appropriate bidding procedure depends largely on the type and complexity of the procurement contract (Asian Development Bank (ADB) Procurement Regulations for ADB Borrowers: Goods, Works, Nonconsulting and Consulting Services [2017, as amended from time to time], Appendix 3). ADB generally uses four bidding procedures:

(i) single-stage–one-envelope,
(ii) single-stage–two-envelope,
(iii) two-stage, and
(iv) two-stage–two-envelope.

A3.2 The single-stage–one-envelope procedure is generally recommended due to its efficiency (the procedure has fewer steps requiring approval and there is no need to evaluate bids that have no realistic chance of winning, due to having a high bid price) and transparency (price envelopes are opened immediately). However, the other procedures may be used when appropriate. Table A3 describes each of these procedures.

Table A3: Summary of Bidding Procedures

<table>
<thead>
<tr>
<th>1. Single-Stage–One-Envelope</th>
<th>Often used for goods, works, and nonconsulting services contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bidders submit their bids in one envelope containing both the technical and financial proposals</td>
<td></td>
</tr>
<tr>
<td>(i) The borrower opens bids in public on the date, time, and place specified in the bidding document.²</td>
<td></td>
</tr>
<tr>
<td>(ii) Relevant information should be read out and recorded. It should include each bidder’s total bid price (and price for any alternative bids, if they have been requested or permitted).</td>
<td></td>
</tr>
<tr>
<td>(iii) The borrower evaluates technical and financial proposals in parallel, enabling the borrower to evaluate the technical proposals of only those bidders that have a realistic chance of being first-ranked, due to their financial proposals. No amendments to the technical proposals are permitted.</td>
<td></td>
</tr>
<tr>
<td>(iv) Bids are evaluated and ranked in accordance with the bidding document, and the first-ranked bidder is awarded the contract.</td>
<td></td>
</tr>
</tbody>
</table>

continued on next page
### 2. Single-Stage—Two-Envelope

Used generally for consulting services, but also applies to procurement of goods, works, and nonconsulting services contracts, if suitable

| Bidders submit two sealed envelopes simultaneously—one containing the technical proposal and the other the financial proposal, enclosed together in an outer single envelope. |
| (i) Technical proposals are opened first, while the financial proposals remain sealed and held in custody of the borrower. |
| (ii) The objective of this procedure is to allow the borrower to evaluate the technical proposals without reference to price. Any technical proposals assessed as nonresponsive (including not meeting any specified minimum technical score) will be rejected and the unopened financial proposal will be returned to the bidder. No amendments to the technical proposals are permitted. |
| (iii) Financial proposals of all technically and commercially responsive bidders are opened at a date and time notified to those bidders. Relevant information to be read out and recorded includes each bidder’s technical score (if applicable) and total bid price (and price for any alternative bids if they have been requested or permitted). The Guidance Note on Consulting Services Administered by ADB Borrowers provides further details. |
| (iv) Financial proposals are evaluated, taking into account each bidder’s technical score (if applicable). Bids are evaluated and ranked in accordance with the bidding document, and the first-ranked bidder is awarded the contract (or invited to contract negotiations in the case of consulting services). |

### 3. Two-Stage

Used for large and complex works (including plant and turnkey contracts) and nonconsulting services of special nature (e.g., information and communication technology systems)

| Bidders submit first-stage technical proposals only and, later, second-stage bids in one envelope containing a financial proposal and revised technical proposal. |
| (i) Bidders first submit unpriced technical proposals that address the technical requirements described in the first-stage bidding document. |
| (ii) Technical proposals are evaluated by the borrower and discussed with the respective bidders that meet the qualification criteria and any minimum technical requirements. Any deficiencies, extraneous provisions, and unsatisfactory technical features are pointed out to the bidders, whose comments are carefully evaluated. The objective of this procedure is to ensure that all technical proposals conform to the same acceptable technical standard and meet the technical solution required by the borrower. First-stage bids that do not meet the qualification criteria are rejected in the first stage. |
| (iii) A second-stage bidding document (potentially including revised technical specifications) is issued to each qualified first-stage bidder, inviting them to submit a revised technical proposal and financial proposal, along with a memorandum of changes describing (i) the revisions required to meet the technical specifications and/or (ii) amendments to the minimum technical requirements, if any. |
| (iv) Second-stage technical and financial proposals are opened together at a date and time advised by the borrower. In setting the date, the borrower should allow sufficient time for bidders to incorporate the changes required for technical proposals and to prepare financial proposals. |
| (v) Bids are evaluated and ranked in accordance with the bidding document, and the first-ranked bidder is awarded the contract. |

continued on next page
Appendix 3

4. Two-Stage—Two-Envelope

Used for complex goods, works, and nonconsulting services

In the first stage, bidders submit two sealed envelopes simultaneously—one containing the technical proposal and the other the financial proposal, enclosed together in an outer single envelope. In the second stage, bidders submit one envelope containing both a supplementary (revised) financial proposal and revised technical proposal.

(i) Technical proposals that address the technical requirements described in the first-stage bidding document are opened, while the financial proposals remain sealed and held in custody of the borrower.

(ii) Technical proposals are evaluated by the borrower and discussed with the respective bidders that meet the qualification criteria and any minimum technical requirements. Any deficiencies, extraneous provisions and unsatisfactory technical features are pointed out to the bidders, whose comments are carefully evaluated. The objective of this procedure is to ensure that all technical proposals conform to the same acceptable technical standard and meet the technical solution required by the borrower. First-stage bids that do not meet the qualification criteria are rejected in the first stage.

(iii) A second-stage bidding document (potentially including revised technical specifications) is issued to each qualified first-stage bidder, inviting them to submit a supplementary (revised) financial proposal and revised technical proposal, along with a memorandum of changes describing the revisions to the first-stage bid required to meet the revised technical specifications. A supplementary financial proposal varies from the original financial proposal only to the extent necessary for the first-stage technical proposal to meet the final technical specifications. The revised technical proposals, original financial proposals, and supplementary financial proposals are opened at the date and time indicated in the second-stage bidding document.

(iv) Bids are evaluated and ranked in accordance with the bidding document, and the first-ranked bidder is awarded the contract.

ADB = Asian Development Bank.

a For all bidding procedures: (i) bids are opened on the date, time, and place specified in the bidding document or notified to bidders; (ii) bidders or their representatives can be present in person (or online, when electronic bidding is used); (iii) the names of the bidders and other relevant information, including any discounts, the presence of a bid security or bid-securing declaration, as applicable, are read aloud (and posted online when electronic bidding is used) and recorded when opened; (iv) a copy of the bid opening record is promptly sent to all bidders (and to ADB in the event of prior review); (v) bids received after the time stipulated, as well as those not opened and read out at bid opening, are not considered; and (vi) when electronic bid submission is used, an online bid opening procedure acceptable to ADB should be employed and any reference to “envelopes” would be replaced by the equivalent electronic arrangements.

b The bidding document should have flexibility to allow the borrower to advance a bid to the second stage of bidding even if it does not meet any or all minimum technical requirements, e.g., to ensure a level of effective competition in the second stage, or where it becomes apparent that a minimum technical requirement(s) is unrealistic, restrictive, or inappropriate.

c Discussions are beneficial for bidders to better understand the borrower’s technical requirements and for the borrower to better understand the available technical solutions. However, if the borrower is concerned about the transparency of such discussions, its ability to discuss technical matters especially in English, or inadvertent disclosure of information about other bids, the clarification and discussion step may be avoided.

B. Single-Stage versus Two-Stage Bidding Procedures

A3.3 For simple and straightforward contracts, a single-stage procedure will normally be sufficient. However, some contracts may be so complex that it is undesirable or impractical to prepare complete technical specifications for bidding, such as:

(i) turnkey (design, supply, and/or construction) contracts;
(ii) contracts for large complex facilities;
(iii) complex or sophisticated infrastructure, equipment, or nonconsulting services; or
(iv) contracts involving complex information and communication technology.

A3.4 Even if the technical specifications are complete, the complexity of such contracts means that (i) there may be issues or deficiencies in the specifications or contractual arrangements unforeseen by the borrower or its consultants, and/or (ii) bids may have deficiencies unforeseen by the bidders due to misunderstandings about the specifications. In a single-stage process, such issues cannot be addressed during the bidding after the bids have been submitted, creating potential for implementation risks and delays or even a failed bidding process.

A3.5 Therefore, the above complex contracts are more conducive to procurement through a two-stage bidding procedure that allows both the borrower and bidders a second chance to become aware of and address the issues they have misunderstood or not foreseen. Bidders also have the opportunity to test innovations or alternative technical solutions against the specifications without risk of their bids being rejected in the first stage. Properly conducted, this process leads to competitive and quality bids transparently evaluated against accurate specifications, leading to a successful procurement outcome.

A3.6 During clarification discussions with bidders and when inviting second-stage technical and financial proposals, the confidentiality and intellectual property rights of each bidder’s first-stage technical proposal must be maintained, including in any revisions to the specification.

A3.7 A disadvantage of two-stage bidding is that if only one first-stage bid meets the qualification criteria and is assessed as suitable to progress to the second stage, the bidding process must be cancelled. This is to avoid a situation where that sole bidder can submit its price bid in the second stage in the absence of any competition. However, this situation can be avoided through the use of two-stage–two-envelope bidding, in which first-stage technical proposals are accompanied by a sealed financial proposal. Following finalization of the technical specifications at the end of the first stage, the revised technical proposals are accompanied by a revised financial proposal. The revisions must only address the changes to the bidder’s first-stage technical proposal necessary to meet changes to the technical specifications. Even if only one bid is received, the two-stage–two-envelope
process can continue to contract award, since the bidder’s first-stage financial proposal was submitted in a competitive environment and there are controls over the extent to which that financial proposal can be revised at the second stage.
Appendix 4: Special Considerations for Procurement of Information Technology

A. Introduction

A4.1 Procurement of information technology (IT) and associated services falls broadly into two categories. The first is relatively straightforward: that of off-the-shelf software, hardware, and services. Typical examples of these will include laptops, desktops, printers, basic servers, smartphones, and productivity applications, such as word processing and spreadsheets. This is commonly referred to as “run” procurement, in that it secures the basic resources to keep an operation running and is not strategic in nature.

A4.2 The second is significantly more complex, and can include enterprise resource planning systems, core financial and banking systems, implementation services, testing, managed services, cloud apps, systems integration, internet service provider provision, outsourcing of IT support, communications hard and soft infrastructure, cybersecurity systems and services, web hosting, etc. The supply market has also become significantly more diversified. It is moving away from on-premise, client-owned, customized solutions toward solutions, such as software as a service, hardware as a service, managed services that combine both, cloud-based solutions, and hosted solutions. This may be described as “innovation” procurement.

A4.3 Each category requires a fundamentally different approach to the market to secure value for money (VFM). Run procurement should employ traditional approaches to the market of offer and acceptance. Given the repeatable nature of the requirements, it is well-suited to long-term supply agreements of around 3 years in duration. Innovation procurement must be approached differently. There are many examples of IT procurement failing to deliver the benefits foreseen in both the public and private sector, as procurement for innovation has been treated as run procurement to which the market will respond in a uniform manner. It does not. Procurement for innovation must be an adaptive and iterative process. This is described as “agile” within the industry and is fully consistent with the Asian Development Bank’s core procurement principles.

B. Run Procurement

A4.4 Run procurement is suitable for off-the-shelf standard procurement of hardware, software, and services. When the requirement is large enough and repeatable, and there is a benefit to operational standardization, e.g., laptops,
smartphones, printers, and productivity applications, such as word processing or spreadsheets, the requirements should be incorporated into long-term supply agreements. These may also be described as framework contracts and are usually 3 years in duration. They are ideal for incorporating into catalogs, a functionality provided by best-in-class electronic procurement systems.

A4.5 The advantages of this aggregation are threefold, all of which contribute to achieving better VFM:

(i) Aggregation will lead to a more attractive contract to suppliers and almost all suppliers will offer better discounting levels for higher volumes.
(ii) Transaction costs and delivery times will significantly reduce for future requirements, as they will be met by ordering documents under the supply agreement, not a new procurement exercise.
(iii) Costs of ownership, servicing, and spares or consumables holding (when relevant) will be reduced through standardization.

A4.6 The approach to market will depend on what is being purchased. When items from competing suppliers can be compared, such as with laptops, printers, and photocopiers, traditional procurement methods are appropriate. Requests for quotations (shopping) or open competitive bidding will deliver the best value and it is possible to have competition between brands. In these cases, it is important to factor the cost of consumables and servicing into the purchasing decision. These costs will often be greater than the initial purchase costs. Accurately forecasting the life cycles of the equipment requires that suppliers provide price information on the costs of consumables, support, or parts as appropriate, and that these are factored into the evaluation process. When possible, these life cycle factors should also be included into the scope of the contract, so their pricing can be secured.

A4.7 When specific software or hardware is required to be integrated into an existing IT ecosystem, such as servers, network switches, local area network accelerators, teleconferencing, or version upgrades of existing software, competition is often limited, with one or few accredited distributors in the market. Large software and hardware suppliers normally limit the number of distributors they supply through and will normally only supply through these distributors and not directly to clients.

A4.8 At times, the distributors will compete for business with customers, although the competition on price will be limited to the margin they apply to the suppliers’ pricing to them. Other suppliers will allocate customers to distributors based on a number of mechanisms, such as first-come–first-served, geographic location, or industry sector. In these cases, price competition is not possible, and pricing will have to be negotiated.

A4.9 Therefore, it is essential to identify two issues in the procurement planning stage to determine an optimal approach to the market: (i) the choices and barriers to switching from existing hardware, software, or services for the organization and
(ii) the structure of the market. These will determine if a competitive approach is possible or a negotiated approach with direct contracting should be used.

A4.10 When competition is not possible, it is important to seek alternative benchmarks to ensure VFM. The internet is always a useful starting point. For higher-value procurement, the use of a specialized consultancy service to advise on both pricing and negotiations is also possible.

C. Procurement for Innovation

A4.11 Procurement for innovation is almost always a brownfield activity, i.e., it is not an independent and stand-alone exercise. There is a need to maintain and integrate with existing software and hardware infrastructure and in-house capacity. The need to maintain the value and function of existing investments will constrain the ability to source competitively. Once the investment decision is made, it will result in a long-term dependence on the supplier, as the switching costs of replacement are often prohibitive.

A4.12 Traditionally, IT procurement for innovation has performed poorly and frequently results in suboptimal VFM outcomes. There are several reasons for this:

(i) the assumption that competition will always exist in the market;
(ii) an arm’s length, adversarial relationship is used;
(iii) the faulty assumption that it is a buyer’s market, whereas the best-in-class suppliers are selective about the clients they take on;
(iv) procurement as compliance-based, not outcomes-based;
(v) technology changes rapidly, where the current technology described in a bidding specification may be out of date, unavailable, and/or overpriced by the time the contract is actually awarded;
(vi) specifications can be poorly defined and, in some cases, can deviate significantly from the real requirements of the business;
(vii) costings can be inaccurate, typically where the requirement’s complexity is underestimated or some technical challenges are unforeseen; and/or
(viii) a custom-build mind-set exists, forcing multiple adaptations on the supplier’s side to match preexisting, old systems, or manual processes.

A4.13 Perhaps the greatest challenge in IT procurement is the information asymmetry on two counts: (i) the supplier knows its product’s features and functionality well, but its potential client’s processes and objectives very little, if at all; and (ii) the reverse is true for the client, although in many cases, objectives are not clearly expressed or identified at the outset.

A4.14 The custom-build mind-set can also be exceptionally harmful. Most robust applications and systems are ready to use “out-of-the-box.” They are relatively easy to configure if a buyer can adapt itself to the standard systems and processes on offer. This will start getting more expensive as soon as customizations
start being requested. The more of these required, the less robust and stable the system will become. Furthermore, maintaining the custom-built system in an operational state and through upgrades will become increasingly expensive. The key message is that buyers should, to the maximum extent possible noting the long-term dependence risk, adapt themselves—not adapt systems to themselves.

A4.15 Procurement of IT for innovation must be flexible, iterative, and adaptive. It should not be treated as a linear process. If it is, the chances of failure during implementation are higher than those of success.

A4.16 When planning IT procurement, nontraditional models should be considered. A qualitative approach should be taken and include substantial market research. This can be carried out through a request for information (RFI). The RFI should first identify the market, then refine and reduce the number of potential suppliers based on predetermined metrics. These could include

(i) fit with existing infrastructure;
(ii) fit with existing processes;
(iii) global presence;
(iv) market share and vision (leading IT consulting companies constantly review and update market share and vision);
(v) local ability to support and implement any solution purchased;
(vi) organizational level at which the supplier is engaged (the higher it is, the better); and/or
(vii) any preexisting relationship with the supplier (the better they understand a client, the better they are likely to perform).

A4.17 The RFI stage will produce a shortlist of qualified and suitable suppliers and, on occasion, a single supplier. If there is more than one supplier, there are two possible approaches to conclude the selection phase. The first is to invite the shortlisted suppliers to demonstrate proof of concept. The second is to enter into a two- or multiple-stage bidding process.

A4.18 In the case that the selection will be made based upon proof of concept (which the buyer may have to pay for), the competing suppliers are required to demonstrate the viability and function of their system or application within the test environment of the purchaser. They will also be required to provide budgetary proposals for licensing or subscriptions, implementation, and maintenance. The selection criteria should be predetermined, shared with competing suppliers, and be a combination of best fit and functionality. The option to hold simultaneous price and scope negotiations through a competitive negotiation process should be available.

A4.19 The second option, which is to adopt a multiple-stage bidding process, is closer to traditional methods of procurement and will normally be more readily accepted by oversight agencies. Bidders are required to submit unpriced, preliminary technical proposals against a well-defined technical specification, where the client bears the design risk, or against a functional or performance
specification, to attract technical solutions that may be innovative or not known to the client. These are then reviewed and evaluated. Bidders are then informed of the modifications they are required to do on their proposals to bring them to a comparable standard and invited to update their preliminary proposals. Once all technical proposals are on a similar enough basis to allow a like-for-like comparison, price proposals are invited.

A4.20 In both circumstances, price remains an important, but secondary, consideration. Generally, it should be given a weight of 10% to 40%.

A4.21 Governance is an important issue and any evaluation in support of a proposed selection would be expected to cover

(i) the expected cost of the investment, both direct and indirect over its life cycle;
(ii) the functionality provided by the investment;
(iii) the gains in efficiency that it brings;
(iv) the potential sunk and switching costs, e.g., those that would be written off should the buyer not extend the relationship;
(v) the importance of the investment and/or criticality of the equipment, system, or service to operations (low, medium, or high);
(vi) the expected tenure of the relationship, normally longer than the initial contract;
(vii) the alternatives to the existing equipment, system, or service, including the costs of the same; and
(viii) the point in time when the investment will be fully reviewed.

A4.22 It is advisable to create a procurement steering committee or similar structure to oversee the process from the inception through to completion. The implementation team should report periodically to the steering committee. The steering committee would normally be composed of the head of the functional business unit; the head of IT; the head of procurement; and, if there are implications for financial systems, the head of finance.
Appendix 5: Example Procurement Plan

A5.1 This simplified example illustrates a procurement plan that would be completed by the borrower, with support from the Asian Development Bank (ADB). Upon completion, the plan is uploaded into ADB’s Procurement Review System (PRS), where it is reviewed and considered for ADB’s no-objection. The example presented here uses the template in effect as of June 2018. However, the template is subject to change. The latest version is available in PRS. The example is purely indicative and should not be taken to imply any connection to any real project, nor that ADB would endorse similar procurement arrangements in a real project.

## Procurement Plan

### A. Basic Data

<table>
<thead>
<tr>
<th><strong>Project Name:</strong> National Highway Development Project</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Number:</strong> 11111</td>
</tr>
<tr>
<td><strong>Approval Number:</strong> 1111</td>
</tr>
<tr>
<td><strong>Country:</strong></td>
</tr>
<tr>
<td><strong>Executing Agency:</strong> National Highway Authority</td>
</tr>
<tr>
<td><strong>Project Procurement Classification:</strong> Category A</td>
</tr>
<tr>
<td><strong>Implementing Agency:</strong></td>
</tr>
<tr>
<td><strong>Project Procurement Risk:</strong> High</td>
</tr>
<tr>
<td><strong>Project Financing Amount:</strong> $250,000,000</td>
</tr>
<tr>
<td><strong>ADB Financing:</strong> $200,000,000</td>
</tr>
<tr>
<td><strong>Cofinancing (ADB Administered):</strong> $35,000,000</td>
</tr>
<tr>
<td><strong>Non-ADB Financing:</strong> $15,000,000</td>
</tr>
<tr>
<td><strong>Project Closing Date:</strong> September 2023</td>
</tr>
<tr>
<td><strong>Date of First Procurement Plan:</strong> June 2018</td>
</tr>
<tr>
<td><strong>Date of this Procurement Plan:</strong> June 2018</td>
</tr>
<tr>
<td><strong>Procurement Plan Duration (in months):</strong> 18</td>
</tr>
<tr>
<td><strong>Advance Contracting:</strong> No</td>
</tr>
<tr>
<td><strong>e-Procurement:</strong> No</td>
</tr>
</tbody>
</table>
B. Methods, Review, and Procurement Plan

Except as ADB may otherwise agree, the following methods shall apply to the procurement of goods, works, nonconsulting services, and consulting services.

<table>
<thead>
<tr>
<th>Procurement of Goods, Works, and Nonconsulting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Method</td>
</tr>
<tr>
<td>Open competitive bidding with national advertising for goods</td>
</tr>
<tr>
<td>Open competitive bidding with international advertising for works</td>
</tr>
</tbody>
</table>

Consulting Services

<table>
<thead>
<tr>
<th>Consulting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Method</td>
</tr>
<tr>
<td>Open competitive bidding with international advertising, using quality- and cost-based selection for consulting services</td>
</tr>
</tbody>
</table>

C. Lists of Active Procurement Packages (Contracts)

The following table lists goods, works, nonconsulting, and consulting services contracts for which the procurement activity is either ongoing or expected to commence within the procurement plan’s duration.

<table>
<thead>
<tr>
<th>Goods, Works, and Nonconsulting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Package Number</td>
</tr>
<tr>
<td>CW1</td>
</tr>
<tr>
<td>CW1</td>
</tr>
<tr>
<td>CW1</td>
</tr>
<tr>
<td>EQ1</td>
</tr>
</tbody>
</table>

continued on next page
### Goods, Works, and Nonconsulting Services

<table>
<thead>
<tr>
<th>Package Number</th>
<th>General Description</th>
<th>Estimated Value ($)</th>
<th>Procurement Method</th>
<th>Review</th>
<th>Bidding Procedure</th>
<th>Advertisement Date (quarter, year)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Bidding document: Goods and large works

E-procurement: No

1S1E = single-stage–one-envelope, km = kilometer, OCB = open competitive bidding, Q = quarter.

### Consulting Services

<table>
<thead>
<tr>
<th>Package Number</th>
<th>General Description</th>
<th>Estimated Value ($)</th>
<th>Selection Method</th>
<th>Review</th>
<th>Type of Proposal</th>
<th>Advertisement Date (quarter, year)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>CS1</td>
<td>Construction supervision consultant</td>
<td>5,000,000</td>
<td>QCBS</td>
<td>Prior</td>
<td>STP</td>
<td>Q3, 2018</td>
<td></td>
</tr>
</tbody>
</table>

Type: Firm

Assignment: International

Quality–Cost Ratio (if applicable): 80:20

Prequalification of bidders: Yes

Domestic preference applicable: No

Advance contracting: No

E-procurement: No

Q = quarter, QCBS = quality- and cost-based selection, STP = simplified technical proposal.
D. List of Indicative Packages (Contracts) Required Under the Project

The following table lists goods, works, nonconsulting, and consulting services contracts for which procurement activity is expected to commence beyond the procurement plan duration and over the life of the project (i.e., those expected beyond the current procurement plan’s duration).

<table>
<thead>
<tr>
<th>Package Number</th>
<th>General Description</th>
<th>Estimated Value ($)</th>
<th>Procurement Method</th>
<th>Review</th>
<th>Bidding Procedure</th>
<th>Advertisement Date (quarter, year)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>CW3</td>
<td>Highway access and link roads</td>
<td>30,000,000</td>
<td>OCB</td>
<td>Prior</td>
<td>1S1E</td>
<td>Q1, 2022</td>
<td></td>
</tr>
</tbody>
</table>

1S1E = single-stage–one-envelope, OCB = open competitive bidding, Q = quarter.

<table>
<thead>
<tr>
<th>Package Number</th>
<th>General Description</th>
<th>Estimated Value ($)</th>
<th>Selection Method</th>
<th>Review</th>
<th>Type of Proposal</th>
<th>Advertisement Date (quarter, year)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>[None]</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Type: Assignment: Quality-Cost Ratio (if applicable): Prequalification of bidders: Domestic preference applicable: Advance contracting: E-procurement:
E. List of Awarded and Completed Contracts

The following table lists the awarded and completed contracts for goods, works, nonconsulting, and consulting services.

<table>
<thead>
<tr>
<th>Package Number</th>
<th>General Description</th>
<th>Contract Value</th>
<th>Date of ADB Approval of Contract Award</th>
<th>Date of Completion</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>[None]</td>
<td></td>
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</tr>
</tbody>
</table>

ADB = Asian Development Bank.

F. Non-ADB Financing

The following table lists goods, works, nonconsulting, and consulting services contracts over the life of the project, financed by non-ADB sources.

<table>
<thead>
<tr>
<th>General Description</th>
<th>Estimated Value (cumulative, $)</th>
<th>Estimated Number of Contracts</th>
<th>Procurement Method</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQ2 – Road maintenance and servicing</td>
<td>15,000,000</td>
<td>1</td>
<td>OCB</td>
<td>Financed by counterpart funds of the National Highway Authority Advertising planned: Q1, 2022 Advertising: National Prequalification of bidders: No</td>
</tr>
</tbody>
</table>
### Goods, Works, and Nonconsulting Services

<table>
<thead>
<tr>
<th>General Description</th>
<th>Estimated Value (cumulative, $)</th>
<th>Estimated Number of Contracts</th>
<th>Procurement Method</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic preference applicable: No</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advance contracting: No</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bidding document: Goods</td>
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<tr>
<td>E-procurement: No</td>
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</tbody>
</table>

OCB = open competitive bidding.

### Consulting Services

<table>
<thead>
<tr>
<th>General Description</th>
<th>Estimated Value (cumulative)</th>
<th>Estimated Number of Contracts</th>
<th>Recruitment Method</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>[None]</td>
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</table>
Strategic Procurement Planning

Guidance Note on Procurement

This guidance note aims to assist borrowers in developing a procurement strategy and procurement plan for projects financed in whole or in part by an ADB loan or grant, or by ADB-administered funds. Effective and strategic procurement planning helps ensure that fit-for-purpose procurement approaches are developed to achieve value for money and the project’s development objectives. The note enables borrowers to take a flexible approach to developing a procurement strategy and procurement plan, applying tools and techniques widely used across public and private sector organizations to provide the necessary intelligence to make sound procurement decisions.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to a large share of the world’s poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.